

**THE GENERAL PRUDENTIAL SOURCEBOOK (TRANSITIONAL PROVISIONS
AND SCHEDULES) INSTRUMENT 2006**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) The following provisions of the General Prudential Sourcebook (GENPRU) come into force on 31 December 2006:
 - (a) GENPRU TP 1 to GENPRU TP 6 and GENPRU TP 10 to GENPRU TP 13;
 - (b) Schedules 1 to 6 to GENPRU.
 - (2) The remainder of this instrument comes into force on 1 January 2007.

Amendments to the Handbook

- D. The Financial Services Authority creates a new chapter TP (Transitional provisions) and Schedules to GENPRU in accordance with Annex A to this instrument.

Citation

- E. This instrument may be cited as the General Prudential Sourcebook (Transitional Provisions and Schedules) Instrument 2006.

By order of the Board
23 November 2006

Annex A

Chapter TP of GENPRU and GENPRU Schedules

In this Annex all the text is new and is not underlined.

TP Transitional provisions

1 Application of GENPRU TP 1 to GENPRU TP 6 and other general provisions for insurers

Application of GENPRU TP 1 to GENPRU TP 6

1.1 R *GENPRU* TP 1 - *GENPRU* TP 6 apply to an *insurer*.

1.2 G *GENPRU* TP 1 - *GENPRU* TP 6 apply to an *insurer* to whom the relevant *GENPRU rule* listed in *GENPRU* TP Table 3R, *GENPRU* TP 4.3R, *GENPRU* TP 5.2R or *GENPRU* TP 6.2R applies. An *insurer* to whom *GENPRU* does not apply is not subject to *GENPRU* TP.

Version of IPRU to be used

1.3 R Any reference in *GENPRU* TP 1 - *GENPRU* TP 6 to *IPRU (INS)* or to *IPRU (FSOC)* is to the version in force on 30 December 2004.

2 IPRU(INS) waivers

Duration of transitional

2.1 R *GENPRU* TP 2 applies until the relevant *GENPRU* rule is revoked.

Continuing effect of waivers

2.2 R A rule in *GENPRU* listed in the Table at *GENPRU* TP 3 is disapplied, or is modified in its application, to a *firm*:

- (1) in order to produce the same effect, including any conditions, as a *waiver* had on the corresponding rule in *IPRU (INS)*;
- (2) for the same period as the *waiver* would have lasted, if shorter than the period in *GENPRU* TP 2.1R;

provided the conditions set out in *GENPRU* TP 2.3R are satisfied.

2.3 R The conditions referred to in *GENPRU* TP 2.2R are:

- (1) the rule is shown in the Table at *GENPRU* TP 3 as corresponding with the rule in *IPRU (INS)* in relation to which the *waiver* was granted to the *firm*;
- (2) the *waiver* was current as respects the *firm* immediately before 31 December 2004; and
- (3) there is no specific transitional rule relating to the *waiver*.

2.4 R *GENPRU* TP 2.2R does not have effect if, and to the extent that, it would be inconsistent with any community obligation of the *United Kingdom*.

2.5 R A *firm* which has the benefit of a *waiver* to which *GENPRU* TP 2.2R applies must:

- (1) notify the *FSA* immediately if it becomes aware of any matter which is material to the relevance or appropriateness of the *waiver*;
- (2) maintain a written record of the rule in *GENPRU* to which it considers the *waiver* applies; and
- (3) make the record available to the *FSA* on request.

3 Table: IPRU(INS) waivers

3.1 R This table belongs to *GENPRU* TP 2.

Rules in GENPRU	Corresponding rules in IPRU (INS)
1.3.47R	4.2 (3)
2.1.13R	2.9 (3)
2.1.24R	2.9
2.1.25R	2.9
2.1.34R	2.4 (6)
2.2.107R	2.10 (7)
2.2.251R	4.14
	4.5 (7)

4 Capital instruments

Duration

- 4.1 R *GENPRU* TP 4 applies until the relevant *rule* is revoked

Application

- 4.2 R Subject to *GENPRU* TP 4.4R, *GENPRU* TP 4 applies to a *firm* which immediately before 31 December 2004 had the benefit of a *waiver* in relation to *IPRU (INS)* rule 2.10 or 5.2, or a written concession in relation to a pre-commencement provision listed in *GENPRU* TP 4.7R, in either case allowing the *firm* to exclude from the calculation of its liabilities obligations under a particular capital instrument issued by the *firm*.

Waivers

- 4.3 R Subject to *GENPRU* TP 4.4R and to compliance with the conditions set out in *GENPRU* TP 4.6R, a *firm* will be treated as complying with *GENPRU* 2.2.271R(3), *GENPRU* 2.2.177R(2), *GENPRU* 2.2.177R(3), *GENPRU* 2.2.180R and *GENPRU* 2.2.181R, in relation to the capital instrument to which the *waiver* or written concession referred to in *GENPRU* TP 4.2R related, so long as the *firm* is not obliged to pay any interest under the terms of the capital instrument in circumstances where the *firm* does not have *capital resources* equal to or in excess of its required margin of solvency under the *Insurance Directives*.
- 4.4 R *GENPRU* TP 4.3R ceases to apply to a *firm*:
- (1) once the *firm* has redeemed the capital instrument; or
 - (2) on or after any date upon which the *firm* has the option to redeem the capital instrument and may prudently do so.
- 4.5 R Subject to compliance with the conditions set out in *GENPRU* TP 4.6R, a *firm* will be treated as complying with *GENPRU* 2.2.159R(6), *GENPRU* 2.2.159R(10), *GENPRU* 2.2.159R(12), and *GENPRU* 2.2.163R in relation to the capital instrument to which the *waiver* or written concession referred to in *GENPRU* TP 4.2R related.
- 4.6 R The conditions referred to in *GENPRU* TP 4.3R and *GENPRU* TP 4.5R are:
- (1) the *firm* must notify the *FSA* immediately if it becomes aware of any matter which is material to the relevance or appropriateness of the *waiver* or written concession;
 - (2) the *firm* must maintain a written record of the *rule* in *GENPRU* to which it considers the *waiver* or written concession applies; and
 - (3) the *firm* must make the record available to the *FSA* on request.

- 4.7 R The pre-*commencement* provisions referred to in *GENPRU* TP 4.2R are those contained in:
- (1) the Insurance Companies Act 1982 and relevant secondary legislation; and
 - (2) the Friendly Societies Act 1992 and relevant secondary legislation.

5 Calls for supplementary contributions

Duration

5.1 R *GENPRU* TP 5 applies until the relevant *rule* is revoked

Application

5.2 R *GENPRU* TP 5 applies to a *firm* which immediately before 31 December 2004 had the benefit of a *waiver* in relation to *IPRU (INS)* rule 2.10 (4).

Waivers

5.3 R For the period specified in *GENPRU* TP 5.1R or the same period as the *waiver* would have lasted if shorter, subject to *GENPRU* TP 5.4R and to compliance with the conditions set out in *GENPRU* TP 5.5R, for the purposes of calculating its *capital resources* a *firm* may include the value of claims against its members by way of calls for supplementary contributions as *core tier one capital* to the same extent as it was permitted by the *waiver* to include the value of those claims in the calculation of its margin of solvency.

5.4 R *GENPRU* TP 5.3R does not apply for the purposes of *GENPRU* 2.2.34R (Guarantee fund) or *SUP* Appendix 2.4 (Capital resources below guarantee fund).

5.5 R The conditions referred to in *GENPRU* TP 5.3R are:

- (1) the limits specified in the *waiver* on the extent to which the *firm's* claim against its members by way of call for supplementary contributions may be brought into account apply as if the reference (if any) in the *waiver* to the *firm's* required margin of solvency referred to its *general insurance capital requirement* and the reference (if any) in the *waiver* to the *firm's* margin of solvency referred to its *capital resources*; and
- (2) the *firm* must comply with any further conditions imposed by the *waiver*.

6 Implicit items waivers

Duration

6.1 R *GENPRU* TP 6 applies until the relevant *rule* is revoked

Application

6.2 R *GENPRU* TP 6 applies to a *firm* which immediately before 31 December 2004 had the benefit of a *waiver* in relation to *IPRU (INS)* rule 2.10 (5) or *IPRU (FSOC)* rule 4.7 (3).

Waivers

6.3 R For the period specified in *GENPRU* TP 6.1R or the same period as the *waiver* would have lasted if shorter, subject to *GENPRU* TP 6.4R and to compliance with the conditions set out in *GENPRU* TP 6.5R, for the purpose of calculating its *capital resources* a *firm* may include the value of *implicit items* at Stage B of the *capital resources table* applicable to the *firm* to the same extent to which it was permitted by the *waiver* to include the value of those *implicit items* in the calculation of its margin of solvency.

6.4 R *GENPRU* TP 6.3R does not apply for the purposes of *GENPRU* 2.2.41R (Limits on forms of capital apply separately to long-term insurance business and general insurance business).

6.5 R The conditions referred to in *GENPRU* TP 6.3R are:

- (1) the limits specified in the *waiver* on the extent to which the value of *implicit items* may be brought into account apply as if the reference (if any) in the *waiver* to the *firm's* required margin of solvency referred to its *minimum capital requirement* and the reference (if any) in the *waiver* to the *firm's* margin of solvency referred to its *capital resources*; and
- (2) the *firm* must comply with any further conditions imposed by the *waiver*.

- 7 Pillar 3 capital resources
- Application
- 7.1 R This section applies to a *BIPRU firm*.
- Purpose
- 7.2 G This section implements Article 154(4) of the *Banking Consolidation Directive*.
- Duration
- 7.3 R This section applies until 31 December 2012.
- Transitional provision
- 7.4 R A *firm* may elect not to apply *GENPRU 2.2.239R(2) to (4)* (50:50 split between deductions from *tier one capital* and *tier two capital*) to *material insurance holdings* acquired before 1 January 2007.

8 Miscellaneous capital resources definitions for BIPRU firms

Application

8.1 R This section applies to a *BIPRU firm*.

8.2 R Any provision of this section that applies on a consolidated basis under *GENPRU* TP 8.3R applies to any *firm* to which *BIPRU* 8 (Group risk – consolidation) applies.

Consolidation

8.3 R A provision of this section applies on a consolidated basis for the purpose of *BIPRU* 8 (Group risk – consolidation) to the extent that, and in the same way that, the provision in *BIPRU* to which it relates applies on a consolidated basis.

Specific issues of TONS and other securities

8.4 R A *bank* may treat a *security* forming part of an issue of *securities* listed in *GENPRU* TP 8.5R as eligible for inclusion within stage B of the *capital resources table* (Perpetual non-cumulative preference shares) if it would not otherwise be eligible if:

- (1) on 31 December 2006 the *bank* was subject to *IPRU(BANK)*;
- (2) the *bank* issued it on or before 31 December 2006; and
- (3) as at 31 December 2006 the *bank* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)* as permanent share capital and tier one capital as referred to in chapter CA of *IPRU(BANK)*.

8.5 R The issues of *securities* referred to in *GENPRU* TP 8.4R are as follows:

- (1) Barclays £400mn 6% perpetual TONs;
- (2) Abbey National £175m 6.984% perpetual TOPIC;
- (3) Northern Rock £200m 7.053% perpetual TONs;
- (4) Barclays \$1bn 6.86% perpetual TONs;
- (5) Lloyds TSB \$850m 6.90% perpetual capital securities; and
- (6) Abbey National \$500m 7.375% T1MBS.

PIBS

8.6 R A *building society* may treat a *PIBS* as eligible for inclusion within stage B of the *capital resources table* (Perpetual non-cumulative preference shares) if it would not otherwise be eligible if:

- (1) on 31 December 2006 the *firm* was subject to *IPRU(BSOC)*;
- (2) the *building society* issued it before 18 November 2004; and
- (3) as at 31 December 2006 the *building society* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BSOC)* as tier one capital as referred to in Annex 1A of chapter 1 of volume 1 of *IPRU(BSOC)*.

Preference shares

8.7 R A *bank* or *BIPRU investment firm* may treat a *preference share* as eligible for inclusion within stage B of the *capital resources table* (Perpetual non-cumulative preference shares) if it would not otherwise be eligible if:

- (1) on 31 December 2006 the *firm* was subject to *IPRU(BANK)* or *IPRU(INV)*;
- (2) the *firm* issued it on or before 31 December 2006;
- (3) as at 31 December 2006 the *firm* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)* or *IPRU(INV)* as capital of a type that corresponded to *tier one capital resources*;
- (4) it would have been eligible for inclusion within stage B of the *capital resources table* except for the fact that it does not meet *GENPRU 2.2.64R(4)(b)* (Restrictions on mandatory *coupons* for *tier one capital*) or *GENPRU 2.2.109R(1)* (Restrictions on mandatory *coupons* for perpetual non-cumulative *preference shares*) or both of those *rules*;
- (5) the only reason that it does not meet *GENPRU 2.2.64R(4)(b)* or *GENPRU 2.2.109R(1)* is because a mandatory cash *coupon* is payable;
- (6) the *firm* has the right not to pay the cash *coupon* if it is in breach of any of the *main BIPRU firm Pillar 1 rules* or to the extent that paying such *coupon* would result in a breach of any of those *rules*; and
- (7) any amount not paid under (6) does not accumulate.

Innovative tier one capital

- 8.8 R A *bank* may treat an item of a *capital instrument* as eligible for inclusion within stage C of the *capital resources table* (Innovative tier one capital) if it would not otherwise be eligible if:
- (1) on 31 December 2006 the *firm* was subject to *IPRU(BANK)*;
 - (2) the *bank* issued it on or before 31 December 2006;
 - (3) as at 31 December 2006 the *bank* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)* as innovative tier one capital as referred to in chapter CA of *IPRU(BANK)*;
 - (4) it would have been eligible for inclusion within stage C of the *capital resources table* except for the fact that it does not meet *GENPRU 2.2.64R(4)(b)* (Restrictions on mandatory *coupons* for *tier one capital*);
 - (5) the only reason that it does not meet *GENPRU 2.2.64R(4)(b)* is because a mandatory cash *coupon* is payable;
 - (6) the *bank* has the right not to pay the cash *coupon* if it is in breach of any of the *main BIPRU firm Pillar 1 rules* or to the extent that paying such *coupon* would result in a breach of any of those *rules*; and
 - (7) any amount not paid under (6) does not accumulate.

Upper tier 2 instruments: Deferral of interest

- 8.9 R A *bank* or *BIPRU investment firm* may treat a *capital instrument* as eligible for inclusion within stage G of the *capital resources table* (Upper tier two capital) if it would not otherwise be eligible if:
- (1) on 31 December 2006 the *firm* was subject to *IPRU(BANK)* or *IPRU(INV)*;
 - (2) the *firm* issued it on or before 31 December 2006;
 - (3) as at 31 December 2006 the *firm* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)* or *IPRU(INV)* as capital of a type that corresponded to *upper tier two capital resources*;
 - (4) it would have been eligible for inclusion within stage G of the *capital resources table* except for the fact that it does not meet *GENPRU 2.2.177R(2)*;
 - (5) the only reason that it does not meet *GENPRU 2.2.177R(2)* is because a mandatory cash *coupon* is payable;

(6) the *firm* has the right not to pay the cash *coupon* if it is in breach of any of the *main BIPRU firm Pillar 1 rules* or to the extent that paying such *coupon* would result in a breach of any of those *rules*; and

(7) any amount not paid under (6) does not accumulate.

Lower tier 2 instruments: Additional events of default for building societies

8.10 R A *building society* may treat a *capital instrument* as eligible for inclusion within stage H of the *capital resources table* (Lower tier two capital) if it would not otherwise be eligible if:

(1) on 31 December 2006 the *building society* was subject to *IPRU(BSOC)*;

(2) the *building society* issued it on or before 31 December 2006;

(3) as at 31 December 2006 the *building society* included it, and was entitled to include it, in the calculation of its capital resources under *IPRU(BSOC)* as Term Subordinated Debt falling within its Tier Two Capital (as referred to in Annex 1A of Chapter 1 and Chapter 2 of *IPRU(BSOC)*);

(4) it would have been eligible for inclusion within stage H of the *capital resources table* except for the fact that it does not meet *GENPRU 2.2.159R(2)* (Events of default); and

(5) the only reason that it does not meet *GENPRU 2.2.159R(2)* is because it contains an event of default permitted by paragraph 2.8.10G(3) of Volume 1 of *IPRU(BSOC)* (cancellation of a society's registration under the Building Societies Act 1986 otherwise than under section 103(1)(a) of that Act).

Conversion ratio

8.11 R *GENPRU 2.2.138R(2)* (Tier one capital: Conversion ratio) does not apply to a *capital instrument* issued by a *firm* if:

(1) on 31 December 2006 the *firm* was subject to *IPRU(BANK)*, *IPRU(BSOC)* or *IPRU(INV)*;

(2) the *firm* issued it on or before 31 December 2006; and

(3) as at 31 December 2006 the *firm* included it, and was entitled to include it, in the calculation of its capital resources under:

(a) (in the case of a *bank*) *IPRU(BANK)* as innovative tier one capital as referred to in chapter CA of *IPRU(BANK)*; or

- (b) (in the case of any other type of *firm*) *IPRU(BSOC)* or *IPRU(INV)* as capital of a type that corresponded to *tier one capital*.

Legal opinions

8.12 R *GENPRU 2.2.118R* (Legal opinions for *innovative tier one capital*) does not apply to a *capital instrument* issued by a *firm* if:

- (1) on 31 December 2006 the *firm* was subject to *IPRU(BANK)*, *IPRU(BSOC)* or *IPRU(INV)*;
- (2) the *firm* issued the *capital instrument* on or before 31 December 2006;
- (3) (in the case of a *bank*) as at 31 December 2006 the *bank* included the *capital instrument*, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)* as innovative tier one capital as referred to in chapter CA of *IPRU(BANK)*; and
- (4) (in any other case) the *firm* included the *capital instrument*, and was entitled to include it, in the calculation of its capital resources under *IPRU(BSOC)* or *IPRU(INV)* as capital of a type that corresponded to *tier one capital*.

8.13 R The following *rules*:

- (1) *GENPRU 2.2.159R(12)* (Legal opinions for *tier two capital*);
- (2) *GENPRU 2.2.163R* (Legal opinions for *tier two capital* governed by a foreign law);
- (3) *GENPRU 2.2.181R* (Legal opinions for *upper tier two capital*); and
- (4) *GENPRU 2.2.244R* (Application of certain *rules* about *tier two capital* to *tier three capital*) so far as it applies the *rules* in (1) to (3);

do not apply to a *capital instrument* issued by a *firm* if:

- (5) on 31 December 2006 the *firm* was subject to *IPRU(BANK)*, *IPRU(BSOC)* or *IPRU(INV)*;
- (6) the *firm* issued the *capital instrument* on or before 31 December 2006; and
- (7) as at 31 December 2006 the *firm* included the *capital instrument*, and was entitled to include it, in the calculation of its capital resources under *IPRU(BANK)*, *IPRU(BSOC)* or *IPRU(INV)* as capital of the type that corresponds to:

- (a) (where the *firm* disappplies the *rule* in (1) or (2)) *tier two capital*; or
- (b) (where the *firm* disappplies the *rule* in (3)) *upper tier two capital*; or
- (c) (where the *firm* disappplies the *rule* in (4)) *tier three capital*.

Version of IPRU

- 8.14 R Any reference in this section to a type of capital in *IPRU* is to a type of capital in *IPRU* in the form *IPRU* was in on 31 December 2006.

Eligibility

- 8.15 G If this section says that an item of capital is eligible for inclusion within a particular stage of the *capital resources table* this is still subject to the application of the *capital resources gearing rules*.

Waivers and concessions

- 8.16 G A reference to a *firm* being entitled to include *capital instruments* in the calculation of its capital resources under *IPRU* at a particular level includes the *firm* being able to do this under a *waiver* or, in the case of *IPRU(BANK)* or *IPRU(BSOC)*, a written approval by the *FSA*.

Combinations of provisions

- 8.17 G A *firm* may combine the use of two or more of the provisions in this section.

9 Individual capital guidance for BIPRU firms

Application

9.1 G This section applies to a *BIPRU firm* that is a *bank* or *building society* for which the *FSA* has given:

- (1) (in the case of a *building society*) a threshold ratio under *IPRU(BSOC)*; or
- (2) (in the case of a *bank*) an individual capital ratio under *IPRU(BANK)*;

that was in effect on 31 December 2006 but to which the *FSA* has not yet given *individual capital guidance*.

Duration

9.2 G This section applies to a *firm* until it receives *individual capital guidance*.

9.3 G *GENPRU TP 9.4G - GENPRU TP 9.6G* only apply until 31 December 2007. Thereafter (if they do not already apply) *GENPRU TP 9.7G - GENPRU TP 9.10G* apply.

Pre 2007 capital requirements

9.4 G *GENPRU TP 9.5G - GENPRU TP 9.6G* apply if, and for as long as, a *firm* applies the treatment in *BIPRU TP 3.4R* (Pre CRD capital requirements applying on a solo basis during 2007) to all its *exposures*.

9.5 G If *GENPRU TP 9.4G* applies, any threshold ratio or individual capital ratio remains in force. However compliance with such ratios should be measured by reference to *capital resources*.

9.6 G Where necessary, a *firm* should apply the adjustment set out in section 4.1.3 of chapter CO of *IPRU(BANK)* (CAD banks) as it stood on 31 December 2006 to its *trading book* capital requirements.

BIPRU capital requirements

9.7 G *GENPRU TP 9.8G - GENPRU TP 9.10G* apply to a *firm* if *GENPRU TP 9.5G - GENPRU TP 9.6G* do not apply.

9.8 G Any threshold ratio or individual capital ratio remains in force adjusted as follows:

- (1) the *firm* should work out the percentage of its *capital resources requirement* as at the date in *GENPRU TP 9.10G* represented by the absolute amount in *GENPRU TP 9.9G*; and

- (2) the *firm* should hold *capital resources* of an amount at least equal to the percentage specified in (1) of its *capital resources requirement* from time to time.
- 9.9 G The absolute amount referred to in *GENPRU* TP 9.8G is:
- (1) (if *GENPRU* TP 9.7G - *GENPRU* TP 9.10G apply to the *firm* on 1 January 2007) the amount of capital resources it had to hold under *IPRU* on 31 December 2006 in order to meet the ratio referred to in *GENPRU* TP 9.1G; and
- (2) (in any other case) the amount of *capital resources* it had to hold immediately prior to the date in *GENPRU* TP 9.10G in order to meet the ratio referred to in *GENPRU* TP 9.1G.
- 9.10 G The date referred to in *GENPRU* TP 9.8G and *GENPRU* TP 9.9G is:
- (1) (if *GENPRU* TP 9.9G(1) applies) 1 January 2007; and
- (2) (if *GENPRU* TP 9.9G(2) applies) the date on which *GENPRU* TP 9.7G - *GENPRU* TP 9.10G first apply to the *firm*.
- 9.11 G The following illustrates how *GENPRU* TP 9.8G - *GENPRU* TP 9.10G work. This example relates to a *bank* to which *GENPRU* TP 9.7G - *GENPRU* TP 9.10G apply from 1 January 2007. The example is as follows (all figures in £millions):
- (1) as at 31 December 2006:
- (a) the *bank* has risk-weighted assets of £1250;
- (b) its Pillar 1 capital resources requirement was £100 (8% of £1250);
- (c) its individual capital ratio was 10%; and
- (d) its capital resources requirement expressed as an absolute amount and including the individual capital ratio is £125;
- (2) on 1 January 2007 its *capital resources requirement* is £80;
- (3) the result is that the new individual capital ratio is 156.25% (£125m/£80m); and
- (4) its capital resources requirement expressed as an absolute amount and including the individual capital ratio remains at £125 despite the fall in the Pillar 1 charge.
- 9.12 G Continuing the example, say that the *bank's capital resources requirement* falls to £70 on 31 July 2007. Its capital resources requirement, expressed as an amount and including the individual capital ratio, now falls to £109.375.

Adjustments

- 9.13 G No adjustment should be made to take into account differences between the calculation of capital resources under *IPRU* and of *capital resources*.

Consolidation

- 9.14 G This section also applies to threshold ratios and individual capital ratios that apply on a consolidated basis.

10 Assets of former underwriting members

Application

10.1 R *GENPRU* TP 10 applies to the *Society*.

Duration

10.2 R *GENPRU* TP 10 applies until the *Society* is no longer required to identify or value assets of *individual members* that became *former underwriting members* before 1 January 2003.

Valuation and identification of assets

10.3 R For the purposes of *GENPRU* 1 and 2, the *Society* must identify and value the assets of *individual members* that became *former underwriting members* before 1 January 2003 in accordance with the requirements for the identification and valuation of assets contained in the "Conditions and Requirements Relating to Solvency and Reporting" which were approved by the *FSA*, exercising the powers of HM Treasury under section 83 of the Insurance Companies Act 1982, and which were applicable immediately before *commencement*.

11 PRU waivers

Application

- 11.1 R *GENPRU* TP 11 applies to an *insurer* to whom a *GENPRU rule* listed in the Table in *GENPRU* TP 12 applies.

Version of PRU to be used

- 11.2 R A reference in *GENPRU* TP 11 to *PRU* is to the version in force on 30 December 2006.

Duration of transitional

- 11.3 R *GENPRU* TP 11 applies until the relevant *GENPRU rule* is revoked.

Continuing effect of waivers

- 11.4 R A *rule* in *GENPRU* listed in the Table at *GENPRU* TP 12 is disapplied, or is modified in its application, to a *firm*:

- (1) in order to produce the same effect, including any conditions, as a *waiver* had on the corresponding *rule* in *PRU*;
- (2) for the same period as the *waiver* would have lasted, if shorter than the period in *GENPRU* TP 11.3R;

provided the conditions set out in *GENPRU* TP 11.5R are satisfied.

- 11.5 R The conditions referred to in *GENPRU* TP 11.4R are:

- (1) the *rule* is shown in the Table at *GENPRU* TP 12 as corresponding with the *rule* in *PRU* in relation to which the *waiver* was granted to the *firm*;
- (2) the *waiver* was current as respects the *firm* immediately before 31 December 2006; and
- (3) there is no specific transitional *rule* relating to the *waiver*.

- 11.6 R *GENPRU* TP 11.4 does not have effect if, and to the extent that, it would be inconsistent with any community obligation of the *United Kingdom*.

- 11.7 R A *firm* which has the benefit of a *waiver* to which *GENPRU* TP 11.4R applies must:

- (1) notify the *FSA* immediately if it becomes aware of any matter which is material to the relevance or appropriateness of the *waiver*;
- (2) maintain a written record of the *rule* in *GENPRU* to which it considers the *waiver* applies; and

- (3) make the record available to the *FSA* on request.

12 Table: PRU waivers

12.1 R This table belongs to *GENPRU* TP 11.

Rules in GENPRU	Corresponding rules in PRU
1.2.1R(2)	1.2.1R
1.2.2R(1)	1.2.3R(3)
1.2.2R(2)	1.2.3R(5)
1.2.6R	1.2.6R
1.3.4R	1.3.5R
2.1	2.1
2.1.3R	2.1.3R
2.1.13R	2.1.9R
2.1.17R	2.1.14R
2.1.24R	2.1.21R
2.1.25R	2.1.22R
2.1.29R	2.1.25R
2.1.30R	2.1.26R
2.1.30R	2.1.27R
2.1.34R	2.1.30R
2.1.38R	2.1.34R
2.2	2.2
2 Ann 1R	2.2.14R
2.2.32R	2.2.16R
2.2.33R	2.2.17R
2.2.34R	2.2.18R
2.2.118R	2.2.58R
2.2.64R(2)	2.2.40R
2.2.159R(7)	2.2.108R(7)
2.2.159R(8)	2.2.108R(8)
2.2.159R(9)	2.2.108R(9)
2.2.159R(10)	2.2.108R(10)
2.2.159R(12)	2.2.108R(11)
2.2.181R	2.2.105R
2.2.255R	2.2.89R

13 EEA pure reinsurers

Application

13.1 R *GENPRU* TP 13 applies to a *pure reinsurer*:

- (1) whose head office is in an *EEA State* other than the *United Kingdom*;
and
- (2) which is not an *incoming Treaty firm*.

Duration of transitional

13.2 R *GENPRU* TP 13 has effect in relation to a *firm* until 10 December 2008 or, if earlier, the date on which it becomes:

- (1) an *incoming EEA firm* by reason of having exercised its right to carry on the *regulated activity* of *effecting or carrying out contracts of insurance* in the *United Kingdom* in accordance with Schedule 3 to the *Act* (EEA Passport Rights); or
- (2) an *incoming Treaty firm* by reason of having exercised its right to carry on the *regulated activity* of *effecting or carrying out contracts of insurance* in the *United Kingdom* in accordance with Schedule 4 to the *Act* (Treaty Rights).

Capital resources and discounting of technical provisions

13.3 R *GENPRU* 2.2.107R does not apply to a *firm*.

14 Continued use of IPRU expenditure requirements by BIPRU investment firms

Application

14.1 R This section applies to a *BIPRU investment firm*.

Transitional rule

14.2 R If a *firm*:

(1) is subject to the *fixed overheads requirement*; and

(2) was on 31 December 2006 subject to one of the expenditure based requirements under *IPRU* listed in the table in *GENPRU* TP 14.3R;

the *firm* may treat that expenditure based requirement as being its *fixed overheads requirement*.

14.3 R Table: Continuing IPRU expenditure requirements
This table belongs to *GENPRU* TP 14.2R

<i>IPRU</i> expenditure requirement	Remarks
Expenditure based requirement under Chapter 5 of <i>IPRU(INV)</i>	If the <i>firm</i> is subject to an expenditure based requirement of 6/52 of its annual audited expenditure, the <i>firm</i> must, for the purposes of this section, use the requirement of one quarter of its annual audited expenditure under <i>rule</i> 5.2.3(4)(c)(i)
The capital requirement of 13/52 of annual audited expenditure under <i>rule</i> 7.2.3R(1) of Chapter 7 of <i>IPRU(INV)</i>	
The expenditure requirement under <i>rule</i> 10-73(1)(b) of Chapter 10 of <i>IPRU(INV)</i>	

<i>IPRU</i> expenditure requirement	Remarks
Financial Resources Test 2 for Category A firms under section 13.5 of Chapter 13 of <i>IPRU(INV)</i> (Expenditure-based requirement)	A <i>firm</i> must, for the purposes of this section, calculate its requirement as 13/52 of its relevant annual expenditure even if the fraction that applies to it under Chapter 13 would otherwise be 4/52 or 8/52.
Note (1): A reference to annual expenditure covers expenditure based on a forecast, pro-rated expenditure based on a period shorter than twelve months or any other expenditure figures for which the <i>IPRU rules</i> in this table provide.	
Note (2): Any <i>waiver</i> that a <i>firm</i> has in relation to the <i>rules</i> in <i>IPRU</i> in this table has effect for the purposes of this section. Any condition, limitation or requirement to which such a <i>waiver</i> is subject also continues to apply.	

Duration

- 14.4 R A *firm* must stop applying this section at the date when, under the *IPRU* expenditure requirements that apply to it as described in *GENPRU* TP 14.3R, it would have had to start using figures for the period following the one on which the expenditure requirements to which it was subject on 31 December 2006 were based.
- 14.5 G Say for example that a *firm's accounting reference date* is 31 December. As at 31 December 2006 the *firm's IPRU* expenditure requirement was based on its annual accounts for the year ended 31 December 2005. Its annual accounts for the year ending 31 December 2006 are completed on 15 March 2007. From 1 January 2007 to 14 March 2007 the *firm* may treat its *IPRU* expenditure requirements as being its *fixed overheads requirement*. On 15 March 2007 the *firm* should switch to calculating its *fixed overheads requirement* under *GENPRU* 2.1 (Calculation of capital resources requirement).

Capital resources

- 14.6 G The expenditure requirement under *IPRU* is measured against the *firm's capital resources* as calculated under *GENPRU* 2.2 (Capital resources) and not capital resources calculated under *IPRU*.

General prudential sourcebook (*GENPRU*)

Schedule 1

Record keeping requirements

G

1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Subject of Record	Contents of record	When record must be made	Retention Period
<i>GENPRU</i> 1.2.60R – <i>GENPRU</i> 1.2.61R	<i>Firm's</i> assessment of its financial resources	(1) The major sources of risk the <i>firm</i> has identified (2) How the <i>firm</i> intends to deal with those risks (3) Details of the stress and scenario analyses carried out and the resulting financial resources estimated to be required	Not specified	At least three years
<i>GENPRU</i> 1.3.22R	Valuation models for marking to model	Secure copy of <i>firm's</i> own valuation model	When model is in use	Not specified

General prudential sourcebook (*GENPRU*)

Schedule 2

Notification and reporting requirements

G

1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant notification requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
<i>GENPRU</i> 1.5.19R	Intention to change maximum amount of <i>callable contribution</i>	Fact of intention and details of the change	Intention to change the maximum amount	Adequate advance notice, normally not less than 6 months
<i>GENPRU</i> 2.1.11R	Breach or expected breach of <i>GENPRU</i> 2.1.13R or <i>main BIPRU firm Pillar 1 rules</i>	Fact of breach or expectation of breach	Breach or expectation of breach	Immediately
<i>GENPRU</i> 2.2.19R	Intention to deduct <i>illiquid assets</i> rather than <i>material holdings</i>	Fact of intention	Intention to start or stop using method in column 2	One month prior to change of method
<i>GENPRU</i> 2.2.74R	Intention to redeem <i>tier one instrument</i> included in <i>tier one capital resources</i>	Fact of intention	Intention to redeem	At least one month prior to intended redemption
<i>GENPRU</i> 2.2.135R	Intention to include an unusual transaction in capital under <i>GENPRU</i> 2.2.124R	Fact of intention	Intention to include in capital	At least one month prior to inclusion of that capital in <i>capital resources</i>
<i>GENPRU</i>	Proposal to amend a	Details of the	Proposal to	One month

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
2.2.171R	tier two instrument	proposed amendment	amend	before amendment is due to take effect
<i>GENPRU</i> 2.2.174R	Intention to repay (other than on contractual repayment date) <i>tier two instrument</i>	Fact of intention and details of how the <i>firm</i> will meet <i>capital resources requirement</i> after such repayment	Intention to repay	Six months or one month prior to repayment
<i>GENPRU</i> 2.2.243R	Intention to pay interest or principal on subordinated debt included in <i>tier three capital resources</i> if the <i>firm's capital resources</i> are less than 120% of its <i>capital resources requirement</i>	Fact of intention	Intention to pay	One month prior to any payment of interest or principal
<i>GENPRU</i> 2.2.245R	Intention to repay (other than on contractual repayment date) <i>tier three capital resources</i>	Fact of intention and details of how the <i>firm</i> will meet its <i>capital resources requirement</i> after such repayment	Intention to repay	One month prior to repayment

General prudential sourcebook (*GENPRU*)

Schedule 3

Fees and other requirement payments

G

There are no requirements for fees or other payments in *GENPRU*.

General prudential sourcebook (*GENPRU*)

Schedule 4

Powers exercised

G

1 The following powers and related provisions in the *Act* have been exercised by the *FSA* to make the rules in *GENPRU*:

- (1) section 138 (General rule-making power);
- (2) section 149 (Evidential provisions);
- (3) section 150(2) (Actions for damages);
- (4) section 156 (General supplementary powers); and
- (5) section 316(1) (Direction by Authority).

2 The following power in the *Act* has been exercised by the *FSA* to give *guidance* in *GENPRU*:

- (1) section 157(1) (Guidance).

General prudential sourcebook (*GENPRU*)

Schedule 5

Rights of action for damages

G

1. The table below sets out the rules in *GENPRU* contravention of which by an *authorised person* may be actionable under section 150 of the *Act* (Actions for damages) by a person who suffers loss as a result of the contravention.

2. If a "Yes" appears in the column headed "For private person", the rule may be actionable by a private person under section 150 (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256)). A "Yes" in the column headed "Removed" indicates that the *FSA* has removed the right of action under section 150(2) of the *Act*. If so, a reference to the rule in which it is removed is also given.

3. The column headed "For other person" indicates whether the rule may be actionable by a person other than a private person (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of person by whom the rule may be actionable is given.

Chapter/ Appendix	Section/ Annex	Right of action under section 150		
		For private person	Removed	For other person
All rules in <i>GENPRU</i>		No	Yes – <i>GENPRU</i> 1.4.1R	No

General prudential sourcebook (*GENPRU*)

Schedule 6

Rules that can be waived

G

The rules in *GENPRU* may be waived by the *FSA* under section 148 of the *Act* (Modification or waiver of rules). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FSA* to grant a *waiver* that would be incompatible with the *United Kingdom's* responsibilities under those directives. It therefore follows that if a *rule* in *GENPRU* contains provisions which derive partly from a directive, and partly not, the *FSA* will be able to consider a *waiver* of the latter requirements only, unless the directive provisions are optional rather than mandatory.